

NOTICE OF INQUIRY

I. INTRODUCTION

The Department of Telecommunications and Energy ("Department") solicits comments regarding the promulgation of rules or the amendment of existing regulations concerning the Cost of Gas Adjustment Clause, 220 C.M.R. § 6.00 et seq. In accordance with the existing Department's regulations, each local distribution company ("LDC") is required to file semi-annually, a calculation of the Gas Adjustment Factor ("GAF") for the purpose of recovering costs associated with the purchase of gas commodity, as well as the storage and interstate transportation of the gas commodity to the LDC. 220 C.M.R. § 6.01. Further, pursuant to the Department's regulations, each LDC is required to file annually, a reconciliation accounting of its gas supply costs, comparing the actual costs incurred to procure seasonal gas supplies with the forecasted costs of those gas supplies. 220 C.M.R. § 6.08. After a review of the accounting contained in an LDC's filing, the Department either permits a company to recover under-collected costs from customers, or directs a company to credit over-collected costs to customers (both with interest). *Id.* Stability in gas commodity prices throughout the 1980s and 1990s meant that both over- and under-recoveries tended to be small and manageable each year -- until winter 2000/2001.

As a result of the historically cold weather in the 2000/2001 winter season, and the dramatic and sudden increase in the gas commodity, the Department took the unusual action of allowing LDCs to collect incrementally for the projected under-recovery of gas costs, during the winter season, as opposed to deferring collection of the likely under-recovery of the gas

costs until the end of the winter season. See Cost of Gas Adjustment Clause, D.T.E. 01-09 et seq. (2001).

In that Order, the Department determined that, in May 2001, we would investigate whether to promulgate rules and/or amend the existing regulations to allow LDCs to file for recovery of projected under- or over-collection of gas costs more frequently than currently required, and to adjust the CGAC in response to extraordinary price fluctuations. Cost of Gas Adjustment Clause, D.T.E. 01-09 et seq., at 11. (1) Initially, the Department seeks comment in response to the questions delineated below. After review of the comments, the Department will determine whether further action is required, and if so, will establish a schedule for proceeding with this matter.

II. QUESTIONS FOR COMMENT

The Department requests comments on the following issues:

(1) Whether the Department should promulgate rules that would require LDCs to submit CGAC filings more frequently than semi-annually. If yes, how often should LDCs be required to submit requests for the recovery of gas supply costs;

(2) Whether, under the current regulations, LDCs can petition the Department to allow for an adjustment to the GAF more frequently than on a semi-annual basis; and

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(3) Whether, under the current regulations, the Department, on its own motion, may require LDCs to file for the recovery of gas costs more frequently than on a semi-annual basis.

The Department will also entertain comments on other points related to our CGAC regulations.

### III. PROCEDURES TO SUBMIT COMMENTS

Any persons interested in submitting comments to the Department on the aforementioned issues should do so by the close of business (5:00 p.m.) on June 11, 2001. One original and 15 copies of all comments should be filed with Mary Cottrell, Secretary of the Department, One South Station, Boston, Massachusetts 02110. All comments exceeding ten pages in length must be accompanied by a summary of no more than two pages, double-spaced. Comments should be submitted in hard copy and on a 3.5" diskette, IBM-compatible format. The file format for all comments must be compatible with either WordPerfect 8.0 for text responses, or with Microsoft Excel for data or spreadsheet responses. Comments submitted in electronic format will be posted on the Department's website, <http://www.magnet.state.ma.us/dpu>. Persons interested in replying to initial comments must do so by close of business on June 25, 2001.

In the event that the Department determines to address these issues further, said commenters will be notified of the date and format of a hearing.

### IV. ORDER

After due consideration, the Department

VOTES: To open an inquiry to determine whether to promulgate new rules and regulations concerning the Cost of Gas Adjustment Clause; and it is

ORDERED: That within seven days of the date of this Order, the Secretary of the Commission shall publish this Notice of Inquiry in statewide newspapers of general circulation within the service territories of gas companies subject to G.L. c. 164; and it is

FURTHER ORDERED: That the Secretary shall serve a copy of this Order by regular mail on each gas company subject to G.L. c. 164.

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner

1. The Department notes that other states in the Northeast (e.g., New York, Connecticut, and New Hampshire) allow companies to file for CGAC recovery more frequently than is required in Massachusetts. D.T.E. 01-09 et seq. at 11 (2001).